

**RUDD-ROCKFORD-MARBLE ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

Gary O'Connor	President	2007
Angie Johnson		2008
Stephanie Laudner		2007
Harm Eggena III		2009
Bea Volk		2009

(After September, 2007 Election)

Harm Eggena III	President	2009
Bea Volk		2009
Angie Johnson		2008
Tim Trettin		2010
Wendy Fullerton		2010

School Officials

Steve Ward	Superintendent
Janice Kuhlert	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of

Rudd-Rockford-Marble Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rudd-Rockford-Marble Rock Community School District, Rockford, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Rudd-Rockford-Marble Rock Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2009 on our consideration of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

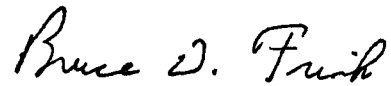
Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rudd-Rockford-Marble Rock Community School District's basic financial statements. We previously audited the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 24, 2009

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Rudd-Rockford-Marble Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,778,409 in fiscal year 2007 to \$4,925,480 in fiscal year 2008 (a 3% increase), while General Fund expenditures increased from \$4,714,471 in fiscal year 2007 to \$4,934,646 in fiscal year 2008 (a 5% increase).
- The increase in General Fund revenues was primarily attributable to an increase in property tax and state aid revenues. The increase in expenditures was due primarily to an increase in instruction costs, primarily salaries and benefits. The General Fund balance decreased by \$9,166 in the past fiscal year, a 1% change.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Rudd-Rockford-Marble Rock Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Rudd-Rockford-Marble Rock Community School District operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Rudd-Rockford-Marble Rock Community School District Annual Financial Report

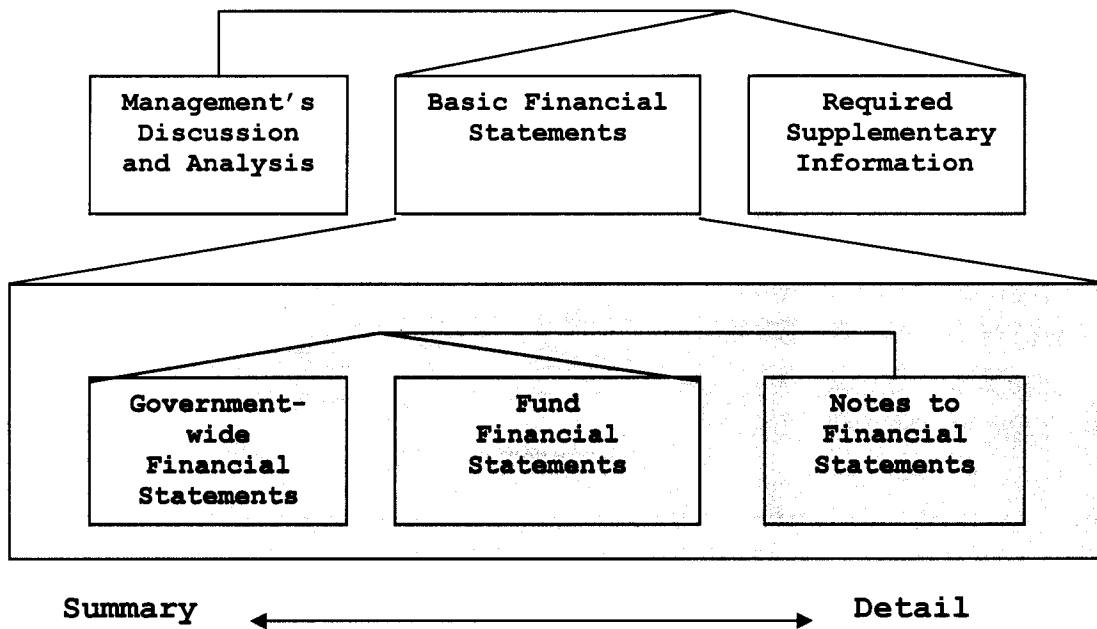


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 3,691	3,835	1	1	3,692	3,836	-3.75%
Capital assets	3,351	3,508	7	8	3,358	3,516	-4.49%
Total assets	<u>7,042</u>	<u>7,343</u>	<u>8</u>	<u>9</u>	<u>7,050</u>	<u>7,352</u>	<u>-4.11%</u>
Current liabilities	2,619	2,498	105	99	2,724	2,597	4.89%
Non-current liabilities	240	465	-	-	240	465	-48.39%
Total liabilities	<u>2,859</u>	<u>2,963</u>	<u>105</u>	<u>99</u>	<u>2,964</u>	<u>3,062</u>	<u>-3.20%</u>
Net Assets							
Invested in capital assets, net of related debt	3,110	3,043	7	8	3,117	3,051	2.16%
Restricted	411	743	-	-	411	743	-44.68%
Unrestricted	<u>662</u>	<u>594</u>	<u>(104)</u>	<u>(98)</u>	<u>558</u>	<u>496</u>	<u>12.50%</u>
Total net assets	<u>\$ 4,183</u>	<u>4,380</u>	<u>(97)</u>	<u>(90)</u>	<u>4,086</u>	<u>4,290</u>	<u>-4.76%</u>

The increase in unrestricted net assets is a combination of increased revenues and cost containment measures. Investment in capital assets grew as the District used local option sales tax monies to make facility improvements.

Restricted funds decreased as Capital Projects and PPEL monies were expended for infrastructure projects.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 250	219	147	145	397	364	9.07%
Operating grants, contributions and restricted interest	868	773	137	137	1,005	910	10.44%
General revenues:							
Property tax	2,389	2,286	-	-	2,389	2,286	4.51%
Local option sales tax	361	363	-	-	361	363	-0.55%
Unrestricted state grants	2,138	2,114	-	-	2,138	2,114	1.14%
Unrestricted investment earnings	22	40	-	-	22	40	-45.00%
Other	25	58	-	-	25	58	-56.90%
Total revenues	6,053	5,853	284	282	6,337	6,135	3.29%
Program expenses:							
Governmental activities:							
Instruction	3,436	3,305	-	-	3,436	3,305	3.96%
Support Services	1,720	1,563	-	-	1,720	1,563	10.04%
Non-instructional programs	4	7	291	290	295	297	-0.67%
Other expenses	1,091	409	-	-	1,091	409	166.75%
Total expenses	6,251	5,284	291	290	6,542	5,574	17.37%
Change in net assets	\$ (198)	569	(7)	(8)	(205)	561	-136.54%

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 79% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,052,988 and expenses were \$6,251,284.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,436	3,305	3.96%	2,543	2,535	0.32%
Support Services	1,720	1,563	10.04%	1,701	1,544	10.17%
Non-instructional programs	4	7	100.00%	4	7	100.00%
Other expenses	<u>1,091</u>	<u>409</u>	<u>166.75%</u>	<u>886</u>	<u>206</u>	<u>330.10%</u>
Totals	<u>\$ 6,251</u>	<u>5,284</u>	<u>18.30%</u>	<u>5,134</u>	<u>4,292</u>	<u>19.62%</u>

- The cost financed by users of the District's programs was \$249,513.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$473,846.
- The net cost of governmental activities was financed with \$2,389,308 in property tax, \$2,138,220 in state foundation aid, and \$21,807 in interest income.

Business Type Activities

Revenues of the District's School Nutrition Fund were \$283,899 and expenses were \$290,861. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Rudd-Rockford-Marble Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,072,870, a twenty percent decrease under last year's ending fund balances of \$1,339,723. The primary reason was expenditures of PPEL and Capital Projects for equipment and infrastructure projects.

Governmental Fund Highlights

- The District's General Fund balance decreased slightly due to expenditures exceeding revenue increases that are limited due to insufficient allowable growth.
- The District's Capital Projects collected over \$360,000 in local option sales tax. This money is being used for infrastructure projects and equipment purchases.
- The District used monies saved in the Physical Plant and Equipment Levy to purchase a new school bus.

Proprietary Fund Highlights

The District's Nutrition Fund decreased as a result of decreased participation and increased food costs.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 30 and 31.

Legal Budgetary Highlights

The District's receipts were \$78,794 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving more in miscellaneous revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures exceeded the amount budgeted in the non-instructional programs and other expenditures functions due to excess costs in the School Nutrition and Capital Projects Funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested over \$3.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a decrease of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$158,313.

The original cost of the District's capital assets was \$5,921,094. Governmental funds account for \$5,816,395, with the remainder of \$104,699 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 118	118	-	-	118	118	0.00%
Site improvements	62	67	-	-	62	67	-7.46%
Buildings	2,993	3,094	-	-	2,993	3,094	-3.26%
Furniture and equipment	178	229	7	8	185	237	-21.94%
Totals	<u>\$ 3,351</u>	<u>3,508</u>	<u>7</u>	<u>8</u>	<u>3,358</u>	<u>3,516</u>	<u>-4.49%</u>

Long-Term Debt

At June 30, 2008, the District had \$240,000 in general obligation bonds payable. The notes will be fully paid off in FY2009.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)		
Total District		Total Change
June 30,		June 30,
2008	2007	2007-08

General obligation bonds	\$ <u>240</u>	<u>465</u>	<u>-48.39%</u>
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ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District has a solvency ratio of 23%. This allows some security from future state aid cuts that come after the budget year is already started. Maintenance of a healthy solvency ratio will be critical to the District's financial future.
- Adequate allowable growth is a necessity for the District to maintain its current financial position. 4% and less are inadequate increases.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- The District began sharing a superintendent with Greene July 1, 2006 and will look for other opportunities to decrease costs while maintaining programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jan Kuhlert, District Secretary, Rudd-Rockford-Marble Rock Community School District, 1460 Highway 147, Rockford, IA 50468.

Basic Financial Statements

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 895,387	-	895,387
Receivables:			
Property tax:			
Current year	37,731	-	37,731
Succeeding year	2,529,719	-	2,529,719
Interfund receivable	105,220	-	105,220
Other receivables	123,103	-	123,103
Inventories	-	1,030	1,030
Capital assets, net of accumulated depreciation	3,350,635	6,931	3,357,566
Total assets	<u>7,041,795</u>	<u>7,961</u>	<u>7,049,756</u>
Liabilities			
Accounts payable	88,571	-	88,571
Accrued interest payable	1,000	-	1,000
Interfund payable	-	105,220	105,220
Deferred revenue:			
Succeeding year property tax	2,529,719	-	2,529,719
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	240,000	-	240,000
Total liabilities	<u>2,859,290</u>	<u>105,220</u>	<u>2,964,510</u>
Net assets			
Invested in capital assets, net of related debt	3,110,635	6,931	3,117,566
Restricted for:			
Management	92,500	-	92,500
Physical plant and equipment levy	32,369	-	32,369
Capital projects	285,403	-	285,403
Unrestricted	661,598	(104,190)	557,408
Total net assets	<u>\$ 4,182,505</u>	<u>(97,259)</u>	<u>4,085,246</u>

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 3,436,345	249,513	644,268	(2,542,564)	-	(2,542,564)
Support services:						
Student services	119,401	-	-	(119,401)	-	(119,401)
Instructional staff services	74,672	-	-	(74,672)	-	(74,672)
Administration services	530,187	-	-	(530,187)	-	(530,187)
Operation and maintenance of plant services	593,982	-	18,837	(575,145)	-	(575,145)
Transportation services	401,395	-	-	(401,395)	-	(401,395)
	1,719,637	-	18,837	(1,700,800)	-	(1,700,800)
Non-instructional programs:						
Food service operations	4,608	-	-	(4,608)	-	(4,608)
Other expenditures:						
AEA flowthrough	196,283	-	196,283	-	-	-
Facilities acquisition and construction	752,596	-	4,500	(748,096)	-	(748,096)
Long-term debt interest	22,106	-	4,154	(17,952)	-	(17,952)
Long-term debt services	400	-	-	(400)	-	(400)
Depreciation (unallocated)*	119,309	-	-	(119,309)	-	(119,309)
	1,090,694	-	204,937	(885,757)	-	(885,757)
Total governmental activities	6,251,284	249,513	868,042	(5,133,729)	-	(5,133,729)

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Nutrition services	290,861	147,032	136,867	(6,962)
Total	\$ 6,542,145	396,545	1,004,909	(5,140,691)
General revenues:				
Property tax levied for:				
General purposes			\$ 1,816,163	1,816,163
Management			170,741	170,741
Capital outlay			152,806	152,806
Debt service			249,598	249,598
School Infrastructure Local Option Sales Tax			361,243	361,243
Unrestricted state grants			2,138,220	2,138,220
Unrestricted investment earnings			21,807	21,807
Other			24,855	24,855
Total general revenue			4,935,433	4,935,433
Change in net assets			(198,296)	(205,258)
Net assets beginning of year			4,380,801	4,290,504
Net assets end of year			\$ 4,182,505	4,085,246

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 1,072,870
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,350,635
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,000)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(240,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 4,182,505</u></u>

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources							
Local tax	\$ 1,816,163	-	170,741	152,806	361,243	249,598	2,750,551
Tuition	238,103	-	-	-	-	-	238,103
Other	62,865	165,629	332	14,186	4,500	4,000	251,512
State sources	2,641,196	-	106	4,213	-	154	2,645,669
Federal sources	167,153	-	-	-	-	-	167,153
Total revenues	4,925,480	165,629	171,179	171,205	365,743	253,752	6,052,988
Expenditures:							
Current:							
Instruction:	3,261,710	162,735	11,900	-	-	-	3,436,345
Support services:							
Student services	119,401	-	-	-	-	-	119,401
Instructional staff services	74,672	-	-	-	-	-	74,672
Administration services	527,494	-	2,693	-	-	-	530,187
Operation and maintenance and plant services	463,890	-	130,092	-	-	-	593,982
Transportation services	291,196	-	-	72,146	-	-	363,342
	1,476,653	-	132,785	72,146	-	-	1,681,584

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Non-instructional programs:							
Food service operations	-	-	4,608	-	-	-	4,608
Other expenditures:							
AEA flowthrough	196,283	-	-	-	-	-	196,283
Facilities acquisition and construction services	-	-	-	201,024	551,572	-	752,596
Long-term debt:							
Principal	-	-	-	-	-	225,000	225,000
Interest	-	-	-	-	-	23,025	23,025
Services	-	-	-	-	-	400	400
Total expenditures	196,283	-	-	201,024	551,572	248,425	1,197,304
	4,934,646	162,735	149,293	273,170	551,572	248,425	6,319,841
Change in fund balances	(9,166)	2,894	21,886	(101,965)	(185,829)	5,327	(266,853)
Fund balances beginning of year	611,763	67,126	70,614	134,334	471,232	(15,346)	1,339,723
Fund balances end of year	\$ 602,597	70,020	92,500	32,369	285,403	(10,019)	1,072,870

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ (266,853)

***Amounts reported for governmental activities in the Statement of
Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of depreciation expense in the year is as follows:

Capital outlay	\$ -	
Depreciation expense	<u>(157,362)</u>	(157,362)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General obligation bonds	225,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

919

Change in net assets of governmental activities (Exhibit B) \$ (198,296)

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ <u>147,032</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	95,879
Benefits	40,416
Services	1,819
Supplies	151,796
Depreciation	<u>951</u>
Total operating expenses	<u>290,861</u>
Operating (loss)	<u>(143,829)</u>
Non-operating revenues:	
State sources	3,237
Federal sources	131,992
Interest income	<u>1,638</u>
	<u>136,867</u>
Changes in net assets	(6,962)
Net assets beginning of year	<u>(90,297)</u>
Net assets end of year	<u>\$ (97,259)</u>

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 147,032
Cash payments to employees for services	(136,295)
Cash payments to suppliers for goods or services	<u>(126,093)</u>
Net cash (used in) operating activities	<u>(115,356)</u>
Cash flows from non-capital financing activities:	
State grants received	3,237
Federal grants received	<u>104,162</u>
Net cash provided by non-capital financing activities	<u>107,399</u>
Cash flows from investing activities:	
Interest on investments	<u>1,638</u>
Net (decrease) in cash and cash equivalents	(6,319)
Cash and cash equivalents beginning of year	<u>(98,901)</u>
Cash and cash equivalents end of year	<u><u>\$ (105,220)</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	\$ (143,829)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	951
Commodities used	27,830
(Increase) in inventory	<u>(308)</u>
	<u><u>\$ (115,356)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$27,830.

See notes to financial statements.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Rudd-Rockford-Marble Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Rudd, Rockford and Marble Rock, Iowa, and agricultural territory in Cerro Gordo, Floyd and Mitchell Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Rudd-Rockford-Marble Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Rudd-Rockford-Marble Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Floyd County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operation. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 118,000	-	-	118,000
Capital assets being depreciated:				
Site Improvements	249,987	-	-	249,987
Buildings	4,451,416	-	-	4,451,416
Furniture and Equipment	996,992	-	-	996,992
Total capital assets being depreciated	5,698,395	-	-	5,698,395
Less accumulated depreciation for:				
Site Improvements	182,721	5,653	-	188,374
Buildings	1,357,435	101,254	-	1,458,689
Furniture and Equipment	768,242	50,455	-	818,697
Total accumulated depreciation	2,308,398	157,362	-	2,465,760
Total capital assets being depreciated, net	3,389,997	(157,362)	-	3,232,635
Governmental activities, capital assets, net	\$ 3,507,997	(157,362)	-	3,350,635
Business type activities:				
Furniture and equipment	\$ 104,699	-	-	104,699
Less accumulated depreciation	96,817	951	-	97,768
Business type activities capital assets, net	\$ 7,882	(951)	-	6,931
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 38,053
Unallocated				119,309
				\$ 157,362
Business Type activities:				
Food service operations				\$ 951

(4) Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	5.00%	<u>\$240,000</u>	<u>12,000</u>	<u>252,000</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$465,000
Additions	-
Reductions	<u>225,000</u>
Balance end of year	<u>\$240,000</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$182,001, \$158,183, and \$160,137 respectively, equal to the required contributions for each year.

(7) Risk Management

Rudd-Rockford-Marble Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$196,283 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Financial Condition

The District's School Nutrition Fund had a deficit fund balance of \$97,259 at June 30, 2008. The Debt Service Fund had a deficit fund balance of \$10,019 at June 30, 2008.

(10) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

General	School Nutrition	<u>\$105,220</u>
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The General Fund has loaned the School Nutrition Fund \$98,901 to offset cash shortfalls. No repayment plan has been made.

Capital Projects	Debt Service	<u>\$13,923</u>
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The Capital Projects Fund has loaned the Debt Service Fund \$13,923 to cover a shortfall in property revenues. It will be repaid from future levies.

Required Supplementary Information

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 3,240,166	148,670	3,388,836	3,338,987	3,338,987	49,849
State sources	2,645,669	3,237	2,648,906	2,632,106	2,632,106	16,800
Federal sources	167,153	131,992	299,145	287,000	287,000	12,145
Total revenues	6,052,988	283,899	6,336,887	6,258,093	6,258,093	78,794
Expenditures:						
Instruction	3,436,345	-	3,436,345	3,565,000	3,565,000	128,655
Support services	1,681,584	-	1,681,584	2,014,000	2,014,000	332,416
Non-instructional programs	-	290,861	290,861	275,000	275,000	(15,861)
Other expenditures	1,197,304	-	1,197,304	801,698	801,698	(395,606)
Total expenditures	6,315,233	290,861	6,606,094	6,655,698	6,655,698	49,604
Excess (deficiency) of revenues over (under) expenditures	(262,245)	(6,962)	(269,207)	(397,605)	(397,605)	128,398
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(262,245)	(6,962)	(269,207)	(397,605)	(397,605)	128,398
Balance beginning of year	1,339,723	(90,297)	1,249,426	1,073,848	1,073,848	175,578
Balance end of year	\$ 1,077,478	(97,259)	980,219	676,243	676,243	303,976

See accompanying independent auditor's report.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 4,764	38,168	40,135	2,797
Cheerleaders	584	3,207	1,620	2,171
Concessions	-	18,162	18,162	-
Dance Team	505	-	505	-
Drama	5,962	3,556	2,979	6,539
FFA	13,332	31,544	33,305	11,571
Peer Mediation	27	-	-	27
MS Student Council	1,346	767	1,025	1,088
Instrumental Music	4,124	6,418	8,702	1,840
Music Trip	2,030	22,631	13,432	11,229
Vocal Music	3,964	1,361	2,785	2,540
Pepsi Account	76	-	-	76
Annual	919	4,531	3,522	1,928
R Club	269	-	-	269
SADD	486	-	-	486
Spanish Club	2,518	1,307	3,094	731
Speech	269	-	153	116
Student Council	13,122	6,051	12,199	6,974
Weightlifting	385	-	-	385
UN Model Group	1,461	-	704	757
RRMR Elementary	2,574	1,263	636	3,201
Class of 2008	948	1,842	2,790	-
Coca Cola	7,410	-	5,012	2,398
Class of 2009	51	8,206	5,699	2,558
Czar School	-	16,615	6,276	10,339
Total	\$ 67,126	165,629	162,735	70,020

See accompanying independent auditor's report.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	\$ 2,750,551	2,649,376	2,636,078	2,410,875	2,363,087
Tuition	238,103	207,598	238,498	178,418	239,842
Other	251,512	316,913	251,313	286,870	231,179
State sources	2,645,669	2,543,700	2,487,298	2,334,828	2,298,650
Federal sources	167,153	135,175	185,502	196,754	191,840
Total	<u>\$ 6,052,988</u>	<u>5,852,762</u>	<u>5,798,689</u>	<u>5,407,745</u>	<u>5,324,598</u>
Expenditures:					
Instruction	\$ 3,436,345	3,304,648	3,028,522	3,247,723	3,218,325
Support services:					
Student	119,401	99,197	86,600	90,844	75,534
Instructional staff	74,672	80,463	195,219	143,062	147,958
Administration	530,187	526,839	508,269	517,660	510,484
Operation and maintenance of plant	593,982	551,888	1,034,912	646,200	733,283
Transportation	363,342	333,745	284,054	228,650	245,256
Non-instructional programs					
Food service operations	4,608	-	-	-	-
Other expenditures:					
Facilities acquisition	752,596	145,942	162,708	133,392	-
Debt Service					
Principal	225,000	210,000	205,000	195,000	185,000
Interest and service charges	23,425	33,505	43,243	52,408	60,910
AEA flowthrough	196,283	185,689	180,412	180,303	183,521
Total	<u>\$ 6,319,841</u>	<u>5,471,916</u>	<u>5,728,939</u>	<u>5,435,242</u>	<u>5,360,271</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
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- Payroll Preparation
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- Bank Loan Assistance
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Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of

Rudd-Rockford-Marble Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rudd-Rockford-Marble Rock Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and other deficiency as well as a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Rudd-Rockford-Marble Rock Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Rudd-Rockford-Marble Rock Community School District's financial statements that is more than inconsequential will not be prevented or detected by Rudd-Rockford-Marble Rock Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Rudd-Rockford-Marble Rock Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, 08-I-A, to be a material weakness.

Compliance and Other Matters

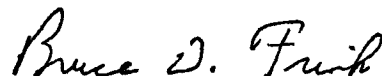
As part of obtaining reasonable assurance about whether Rudd-Rockford-Marble Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Rudd-Rockford-Marble Rock Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Rudd-Rockford-Marble Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Rudd-Rockford-Marble Rock Community School District and other parties to whom Rudd-Rockford-Marble Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Rudd-Rockford-Marble Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 24, 2009

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize that with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate alternative procedures which will improve our system of internal controls.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-II-C Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

(continued) :

- 08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 08-II-K Financial Condition - We noted that the District's School Nutrition Fund had a deficit fund balance of \$97,259 at June 30, 2008. The Debt Service Fund had a deficit fund balance of \$10,019 at June 30, 2008.
- Recommendation - We recommend that the District investigate alternatives to return these funds to a sound financial position.
- Response - We will investigate alternatives as recommended.
- Conclusion - Response accepted.